26 May 2017 | 4QFY17 Results Review

IJM Plantations Berhad

Driven by higher CPO price

***Maintain* NEUTRAL**

***Unchanged* Target Price (TP): RM3.53**

INVESTMENT HIGHLIGHTS

- **FY17 earnings within expectation**
- **Earnings growth driven by higher CPO price**
- **Earnings forecast maintained**
- **Maintain NEUTRAL with unchanged TP of RM3.53**

FY17 earnings within expectation. IJM Plantations (IJMP) FY17 core net income of RM119.1m came in within expectations, at 95 % of our and consensus forecast. Dividend of 7sen per share was announced, translating into dividend yield of 2.2%.

Earnings growth driven by higher CPO price. IJMP registered core net income of RM24m for 4QFY17 as compared to core net loss of RM32m in 4QFY16, boosted by higher CPO price (+34%yoy) and higher FFB production (+30.5%yoy). Note that we have excluded forex gain and one-off adjustment to finance cost in our core net income calculation. That brought cumulative FY17 core net income to RM119.1m, increasing by 376%yoy. The higher earnings in FY17 were mainly underpinned by higher CPO price achieved of RM2753/mt in FY17 (+29%yoy) and mild recovery in FFB production (+2%yoy). The improved FFB production was due to 8.4% increase in FFB production from Indonesian estates which more than enough to offset the 3.4% decline in FFB production from Sabah estates. The mild recovery in FFB production shows that FFB production is recovering from El-Nino induced tree stress which has affected its FFB production throughout the first 9MFY17.

Earnings forecast maintained. We maintain our earnings forecast for FY18. We expect higher CPO prices coupled with recovery in FFB production to drive earnings growth in FY17. Meanwhile, we estimate FFB production to recover by 5% in FY17 from lagged impact of dry weather in FY16. We also introduce our earnings forecast for FY19.

Maintain Neutral with unchanged TP of RM3.53. We maintain our target price for IJMP at RM3.53, based on 18.6x Forward PE on FY18 EPS of 18.95sen. While production outlook for IJMP remains positive, its near term FFB growth is limited at ~5%. Hence, we maintain our Neutral recommendation on IJMP.

RETURN STATS	
Price (25 May 2017)	RM3.13
Target Price	RM3.53
Expected Share Price Return	12.8%
Expected Dividend Yield	2.2%
Expected Total Return	**15.0%**
STOCK INFO	
KLCI	1,773.96
Bursa / Bloomberg	2216 / IJMP MK
Board / Sector	Main / Plantations
Syariah Compliant	Yes
Issued shares (mil)	880.58
Market cap. (RM'm)	2,756.22
Price over NA	1.56
52-wk price Range	RM3.0–RM3.7
Beta (against KLCI)	0.47
3-mth Avg Daily Vol	0.17m
3-mth Avg Daily Value	RM0.55m
Major Shareholders	
IJM Corp	56.10%
EPF	14.24%
KWAP	4.55%

INVESTMENT STATISTICS

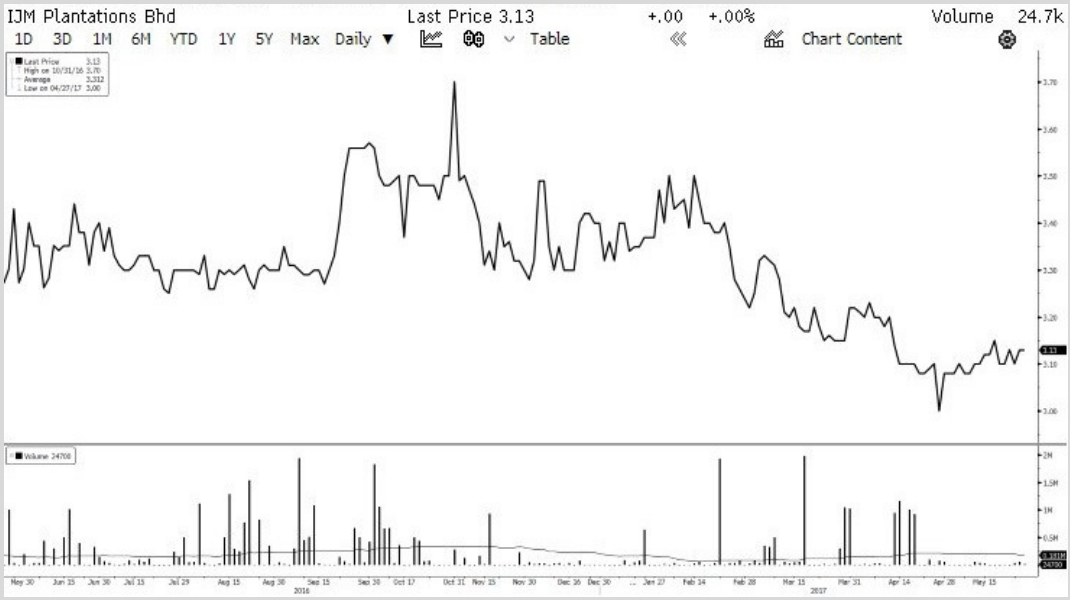
FYE Mar	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	668	558	754	643	683
EBIT	141	72	192	209	246
PBT	89	50	169	202	238
Net Income	90	24	115	160	187
Core Net Income	142	25	119	160	187
EPS (sen)	10.7	2.9	13.1	19.0	22.2
Core EPS (sen)	16.8	3.0	13.5	19.0	22.2
Net DPS (sen)	6.0	5.0	7.0	7.0	10.0
Net Dvd Yield	1.9%	1.6%	2.2%	2.2%	3.2%
Core PER	18.6	105.4	23.1	16.5	14.1
NTA/share (RM)	1.91	1.92	2.12	2.10	2.22
P/NTA	1.64	1.63	1.48	1.49	1.41
ROE	5.6%	1.5%	6.4%	9.0%	10.0%
ROA	3.5%	0.9%	4.4%	5.9%	6.6%

Source: Company, MIDF Research Estimate

IJM Plantations: 4QFY17 RESULTS SUMMARY

FYE Mar (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	4QFY17	%YoY	%QoQ	FY17	%YoY	
Revenue	192.6	*67%*	*-13%*	753.7	*35%*	*Higher revenue was driven by higher FFB production and higher CPO selling prices.*
EBIT	43.4	*NA*	*13%*	192.3	*168%*	
PBT	36.9	*1038%*	*28%*	168.5	*234%*	
Net Income	22.0	*NA*	*-7%*	115.1	*376%*	
Core Net Income	24.0	*NA*	*-41%*	119.1	*376%*	*In line with higher topline.*
EPS (sen)	2.5	*NA*	*-7%*	13.1	*376%*	
Core EPS (sen)	2.7	*NA*	*-41%*	13.5	*376%*	
Net DPS (sen)	7.0	*NA*	*NA*	7.0	*NA*	
CPO Price (RM/MT)	3075.0	*34%*	*8%*	2753.0	*29%*	
FFB Volume ('k MT)	197.5	*31%*	*-18%*	862.44	*2%*	*FFB production recovers from El-Nino induced tree stress.*
EBIT Margin	22.5%	*NA*	*NA*	25.5%	*NA*	
PBT Margin	19.2%	*NA*	*NA*	22.4%	*NA*	

DAILY PRICE CHART



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Source: Bloomberg

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.